

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

Textron Financial Corp.,

Plaintiff,

V.

Michael S. Gallegos,

Defendant.

Case No.: 15-cv-1678-LAB-AGS

REPORT AND RECOMMENDATION ON PLAINTIFF'S APPLICATION FOR A SHOW-CAUSE ORDER

Defendant Michael Gallegos owes plaintiff nearly \$22 million. While Gallegos claims poverty, plaintiff says that Gallegos is using his businesses to fund a posh lifestyle, including a \$7 million mansion, luxury cars, and college expenses for two daughters. To help collect the debt, the Court assigned Gallegos's interests in various businesses to plaintiff and warned Gallegos not to "evade payment." (ECF No. 191, at 2.) Thereafter, Gallegos shuttled money from one of these businesses to another company he co-owns. That company—which was not listed in the assignment order—paid the lease on his personal Mercedes Benz.

This shell game is proper, contends Gallegos, because no business covered by the assignment order directly paid him. And plaintiff is only entitled to such direct payments,

1 or so the argument goes.¹ Plaintiff finds this argument unconvincing and moves for a show-
2 cause hearing to determine if Gallegos is in contempt.

3 Gallegos's actions are gravely troubling. His businesses appear to pay his expenses,
4 yet he draws no salary, which would be subject to garnishment by creditors (and taxation).
5 He should pay his debts or pay for his debt-dodging. But the current assignment order—
6 agreed to jointly by the parties—may lay an imperfect foundation for criminal contempt
7 on these facts. To eliminate any wiggle room, this Court recommends modifying that order
8 as follows:

9 **AMENDED ASSIGNMENT ORDER**

10 1. For purposes of this amended assignment order, the following definitions
11 apply:

12 a. **Payment:** A “payment” refers to the transfer of any thing of value
13 (including but not limited to money, securities, valuables, and credit), except for a bona
14 fide salary for defendant Michael Gallegos. The term “payment” includes both direct and
15 indirect transfers.

16 b. **Personal expenses:** The term “personal expenses” includes expenses
17 for Gallegos himself as well as for his immediate family.

18 2. Plaintiff SPE LO Holdings, LLC, is assigned Gallegos’s interests in any
19 payment from any entity listed in the attached Appendix. SPE LO is entitled to any payment
20 these entities make—or would otherwise make—that is: (a) directly to Gallegos; or (b) for
21 Gallegos’s personal expenses; or (c) to any intermediary so that another may ultimately
22 make a payment directly to Gallegos or for Gallegos’s personal expenses.

23 3. Gallegos must immediately report to SPE LO the amount and source of any
24 salary he is currently receiving. This is a continuing duty, so Gallegos must also

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¹ Gallegos admits that one business improperly paid him \$250 after his interest in
28 that payment was assigned to plaintiff, but claims it was due to a clerical error.

1 immediately report any changes to his salary, such as a new salary source or any changed
2 salary amount.

3 4. Gallegos shall not cause or encourage any entity listed in the attached
4 Appendix to make a payment: (a) to him directly; or (b) for his personal expenses; or (c) to
5 any intermediary so that another may ultimately make a payment directly to Gallegos or
6 for Gallegos's personal expenses.

7 5. If any entity listed in the attached Appendix fails to provide SPE LO a
8 payment to which it is entitled as described above, Gallegos must immediately cause the
9 assignment and transfer of that payment to SPE LO.

10 6. Gallegos must immediately provide each entity listed in the attached
11 Appendix with a copy of this amended assignment order and inform each such entity of its
12 obligation to immediately re-direct the payments described above to SPE LO.

13 7. Gallegos is warned that if he violates this or any other Court order, the case
14 may be referred to the U.S. Attorney's Office for a criminal contempt prosecution.

15 * * * * *

16 In light of the foregoing, this Court recommends that SPE LO's request for a show-
17 cause order be **DENIED**.

18 Within five calendar days of the District Judge's adoption of the foregoing proposed
19 amended assignment order or issuance of a different amended assignment order, Gallegos
20 must file with this Court a notarized verification that he has read that amended assignment
21 order in its entirety (including any Appendix), that he fully understands it, and that he
22 agrees to obey it. That verification must be signed by Gallegos personally, under penalty
23 of perjury, in the presence of a notary licensed in the state of California.

24 Any objection to this report is due by July 17, 2017.

25 Dated: June 30, 2017

26 
27 Hon. Andrew G. Schopler
28 United States Magistrate Judge

APPENDIX

1. ABQ Hotel & Waterpark Investment, LLC
 2. ABQ Hotel Investment, LLC
 3. ABQ Hotel Ventures, LLC
 4. Advent Hotel Management Corporation
 5. Alameda Hotel Investment LLC
 6. Amberly Hotel Investment, LLC
 7. American Property Hospitality Management, LLC
 8. American Property Hospitality
 9. American Property Hotel II, LLC
 10. American Property Hotel LLC
 11. American Property Investments, LLC
 12. American Property Investors – Alexis Park, LLC
 13. American Property Investors – Reid Park, LLC
 14. American Property Investors-ABQ, LLC
 15. American Property Investors-Knoxville, LLC
 16. American Property Investors, LLC
 17. American Property Management Corp.
 18. American Property--Management Corporation
 19. AP/APMC Management, Limited Partnership
 20. AP/APMC Management II, Limited Partnership
 21. APHM Cancun Hotel Management, LLC
 22. APHM Carlise, LLC
 23. APHM FL Hotel Management, LLC
 24. APHM Hotel Management, LLC
 25. APHM NM Concessions, LLC
 26. APHM Sunport, LLC
 27. APMC Carlise Hotel Investors, LLC
 28. APMC Concessions, Inc.
 29. APMC Hotel Management, LLC
 30. APMC International Hotel Management, LLC
 31. APMC San Diego Hotel Management, LLC
 32. Arroyo Grande Inn-Vestment, LLC
 33. Arroyo Hotel, LLC
 34. Armada Hotel Investment, LLC
 35. Avenger Hotel Management, LLC
 36. Bay Area Hotel Investment LLC
 37. Canton Hotel Investment, LLC
 38. Charleston Hotel Management Corporation
 39. Charleston Hotel Management, LLC
 40. Charleston Investment, LLC

- 1 41. CRS Hotel Investment I, LLC
2 42. Coronado Hotel Management Corporation
3 43. Coronado Investment, LLC
4 44. Cumberland Hotel Management, LLC
5 45. Diamond Hotel Management, LLC
6 46. Downtown Hotel Investors, LLC
7 47. Downtown San Diego Hotel Investment, LLC
8 48. DSS Hotel Investment, LLC
9 49. Fine Hotels Limited Partnership
10 50. Front Street Hotel Investment, LLC
11 51. Galisteo Hotel Investment, LLC
12 52. Garden Hotel Investment, LLC
13 53. Gaudalupe Hotel Investment, LLC
14 54. Global Bancorp Commodities and Investments, Inc.
15 55. Grover Beach Inn-vestment, LLC
16 56. Grover Hotel, LLC
17 57. Harbor View Hotel Manager, LLC
18 58. Harbor View Hotel Ventures, LLC
19 59. Harbor View Investments
20 60. High Desert Hotel Investment, LLC
21 61. Jet Stream Hotel Management, LLC
22 62. Lamy Hotel Investment, LLC
23 63. Las Cruces Hotel Limited Partnership
24 64. Las Cruces Hotel Management Corp
25 65. Little Italy Hotel Investment LLC
26 66. LLJ Canton Vinters, LLC
27 67. LLJ Hotel Ventures 4, LLC
28 68. Market Avenue Hotel, LLC
29 69. Market Avenue LLC
30 70. Melbourne Beach Hotel LTD. Co. LLC
31 71. Melbourne Beach Hotel Management Corp.
32 72. Melbourne Beach Investment Ltd. Co.
33 73. Mid-Continent Hotel Management, LLC
34 74. Mountain Road Hotel Investment, LLC
35 75. Northside Hotel Investment, LLC
36 76. Old Town Hotel Investment, LLC
37 77. Pacific Pearl Hotel Management - ABQ, LLC
38 78. Pacific Pearl Hotel Management - Boerne, LLC
39 79. Pacific Pearl Hotel Management - Fort Myers, LLC
40 80. Pacific Pearl Hotel Management -La Jolla, LLC
41 81. Pacific Pearl Hotel Management - Las Vegas, LLC

- 1 82. Pacific Pearl Hotel Management - Niagara, LLC
2 83. Pacific Pearl Hotel Management - San Diego, LLC
3 84. Pacific Pearl Hotel Management - SLC, LLC
4 85. Pacific Pearl Hotel Management - Wisconsin, LLC
5 86. Pacific Pearl Hotel Management, LLC
6 87. Pacific Pearl Hotel Mgmt - Canton, LLC
7 88. Pacific Pearl Hotel Mgmt - Niagara, LLC
8 89. Pacific Pearl Hotel Mgmt - NW, LLC
9 90. Pacific Pearl Hotel Mgmt - Ontario, LLC
10 91. Pacific Pearl Hotel Mgmt - Phoenix, LLC
11 92. Pacific Pearl Hotel Mgmt - Scottsdale, LLC
12 93. Pacific Pearl Hotel Mgmt - Tulsa, LLC
13 94. Pacific Pearl Hotels, LLC
14 95. Pan American Hotel Investment, LLC
15 96. Passaic Investment LLC
16 97. Picacho Hotel Investment LLC
17 98. Reid Park Investors, LLC
18 99. Rio Grande Hotel Investment, LLC
19 100. Rio Rico Resort Investment, LLC
20 101. Rock Around the World Management, LLC
21 102. Rosecrans Hotel Investment, LLC
22 103. San Antonio Hotel Investment-GP, LLC
23 104. San Antonio Hotel Investment-LP, LLC
24 105. San Diego Harbor View Investment, LLC
25 106. San Diego Hotel Investment LLC
26 107. Sangre De Cristo Hotel Investment LLC
27 108. Santa Fe Hotel Investment LLC
28 109. Santa Fe Picacho Hotel Management Corp.
29 110. Sassafras Hotel Investment, LLC
30 111. Sawmill Hotel Investment, LLC
31 112. St. Francis Hotel Investment, LLC
32 113. Stadium Hotel Investment, LLC
33 114. Tampa Hotel Investors LLC
34 115. Tucson Hotel Investors, LLC
35 116. UBB Investment LLC
36 117. Union City Hotel Management Corporation
37 118. Union City Hotel, LLC
38 119. Union City Investment, LLC
39 120. Wisconsin Dells Hotel Investment, LLC
40 121. Wisconsin Dells Investment, LLC
41 122. Yakima Hotel Investment LLC